Bust or Bargain? 2 Battered Stocks Near Multi-Year Lows

Description

If you're a deep-value investor who's hungry for a big bargain, then you've got to ensure full due diligence before hitting the buy button. Often, stocks trading at multi-year lows are in a dire situation. They may be operating in an environment that's going against a secular headwind, and your seemingly "cheap" stock could become a heck of a lot cheaper after you've decided to pull the trigger on a position.

It's not just falling knives that are dangerous to catch. A technical bottom in a perennial underperformer may not be what it seems. It could be a bull trap that could result in a substantial amount of pain for bottom fishers looking to score an abrupt rebound in shares.

Just because a stock has fallen substantially doesn't mean it can't fall further. So, if you're keen on going against the grain, you've got to formulate a long-term thesis and a list of reasons why you believe a company can overcome the issues that have sent its stock to multi-year lows. If you find flaws in your thesis, then you should probably take a rain check on a name that could continue to punish its investors.

Here are two badly battered stocks that are at multi-year lows. Let's take a look at each one and determine whether or not a stock has the ability to bounce back.

Corus Entertainment (TSX:CJR.B)

Corus is a victim of the rise of video streaming, and as traditional televised media continues to die, the company's seemingly robust cash flow stream is poised to decay at a growing rate as more consumers are drawn into video-streaming platforms, enticing them to cut the cord.

Now, Corus has a wealth of great content for women and children. It's just caught on the wrong side of a trend that I believe will ultimately end up in the company not being around in a decade from now.

As more traditional media firms continue to feel the pain, consolidation will be inevitable.

At this juncture, I think the only hope for Corus to bounce is if the company were to be taken over by a competitor. The fate of traditional media will involve further consolidation, so that combined talents may better weather the storm as joint forces.

I can't recommend Corus on a takeover basis, however, so I'd have to say the name is a bust, even at these depressed levels.

Cineplex (TSX:CGX)

Cineplex is another victim of the gravitation of consumers toward stay-at-home video streaming. The result has been catastrophic, but unlike traditional televised media, movie theatres will always be a tremendous experiential product that consumers will continue to flock to if there's an incentive to do so.

As long as there are blockbuster hits at the box office, or if Cineplex can provide better value options, butts will return to seats. The former incentive is an exogenous variable that Cineplex has no control over. More content creators are likely to head straight to stream over the next five years, and, unfortunately, Cineplex can't do anything to reverse this.

The latter incentive (better value options) is possible, but it'll pressure margins and will do nothing to revamp growth. The rebound opportunity for Cineplex lies in its amusements and entertainment business, which is poised to dilute the company's reliance on the box office segment. Through prudent expansion initiatives, Cineplex will become more of a "fun-house" establishment rather than a movie theatre company.

With various experiential projects underway, I think it's just a matter of time before management reinvents itself as a company that justifies a growth multiple. Thus, Cineplex looks like a buy, but only for patient investors.

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2. TSX:CJR.B (Corus Entertainment Inc.)

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